

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):  
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO  
WOMEN'S AND CHILDREN'S APPAREL OF POLYESTER MONOFILAMENT YARN  
FROM ANDEAN COUNTRIES**

Investigation No. 332-458-016

October 2004



# Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

## U.S. International Trade Commission Investigation No. 332-458-016

Products	Women's and children's apparel of polyester monofilament yarn
Requesting Parties	Textiles Erre Emme Ltda., Bogota, Colombia
Date of Commission Report: USTR Public	October 4, 2004 October 2004
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### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON OCTOBER 4, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (\*\*\*)

### Summary of Findings

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Andean countries from certain polyester monofilament yarn, regardless of the source of the yarn, could have an adverse effect on U.S. producers of the subject yarn, U.S. producers of fabrics made from the subject yarn, and their workers. The proposed preferential treatment would have no effect on U.S. apparel producers because there is no known domestic production of apparel containing the yarn. Further, the proposed preferential treatment would likely benefit U.S. firms making apparel in eligible Andean countries from the yarn, and their U.S.-based workers, as well as U.S. consumers.

### Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).<sup>1</sup>

The Commission's advice in this report relates to a petition received by CITA on August 23, 2004, alleging that certain polyester monofilament yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel woven or knitted in eligible Andean countries from such yarn, regardless of the source of the

<sup>1</sup> For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Feb. 9, 2004 (69 F.R. 6003) and consult the Commission's website at [www.usitc.gov/332s/shortsup/shortsupintro.htm](http://www.usitc.gov/332s/shortsup/shortsupintro.htm).

yarn. The President is required to submit a report to the House Committee on Ways and Means and to the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.<sup>2</sup>

### **Discussion of the product**

The petition states that the subject yarn is classified in subheading 5402.33.30 of the Harmonized Tariff Schedule of the United States (HTS), which provides for textured filament single yarn of polyester (other than sewing thread), not put up for retail sale, including polyester monofilament of less than 67 decitex. The petition describes the subject yarn as a polyester monofilament textured, raw, white yarn, of denier 20D/F1 (22 decitex),<sup>3</sup> semi-dull for weaving, for use in women's and children's apparel. Industry sources note that the subject yarn is often used to make knitted or woven fabrics for nightwear and loungewear, which are classified in HTS chapter 61 (apparel, knitted or crocheted) or chapter 62 (apparel, not knitted or crocheted). The 2004 rates of duty on women's and children's apparel made of the subject yarn vary by product (the duty rate on nightwear is 16 percent ad valorem).

Industry sources contend that the yarn named in the petition (20 denier polyester filament yarn) is not typically textured and woven in monofilament form.<sup>4</sup> The sources noted that, normally, a monofilament is twisted with another before undergoing texturizing and weaving.<sup>5</sup>

The petition filed by Textiles Erre Emme Ltda. of Bogota, Colombia, stated that the firm sent a letter to numerous U.S.-based textile trade associations as well as U.S.-based textile companies, asking the companies if they produce the subject yarn. According to the petition, the few companies responding to the petitioner's letter each stated that it does not produce the subject yarn.

### **Discussion of affected U.S. industries, workers, and consumers**

Industry sources stated that the subject yarn is produced in the United States by Brawer Bros., Inc., Hawthorne, NJ, and Guilford Mills, Inc., Greensboro, NC.<sup>6</sup> According to its website, Guilford is the largest supplier of polyester monofilament yarns to the textile industry.<sup>7</sup> According to the petition, Brawer Bros. was not among the U.S. textile firms that received the above-referenced letter from the petitioner. The petition states that the letter was sent to Guilford Fibers; however, the petition does not state whether it received a reply from the firm.

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<sup>2</sup> In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

<sup>3</sup> The term "20D/F1" refers to a yarn of 20 denier and of 1 filament. Denier is a measure of the linear density, or weight per unit length, of a yarn—that is, the weight, in grams, of 9,000 meters of yarn (the higher the number, the heavier the yarn). The conversion from denier to decitex is "denier x 1.1111" (decitex is the weight, in grams, of 10,000 meters of yarn).

<sup>4</sup> Michael S. Hubbard, Vice President of Administration, National Council of Textile Organizations (NCTO), written submission to CITA, Sept. 10, 2004, \*\*\*, telephone interview by Commission staff, Sept. 2004.

<sup>5</sup> Textured yarns are normally filament yarns of HTS chapter 54, in which the component filaments have been crimped (i.e., a regular pattern of wrinkles has been imparted to the filaments) to create a softer look and feel. See U.S. Customs Service (now the Bureau of Customs and Border Protection, Department of Homeland Security), *Customs Bulletin and Decisions*, vol. 34, No. 52, Dec. 27, 2000, p. 120.

<sup>6</sup> \*\*\*, telephone interviews by Commission staff, Sept. 2004.

<sup>7</sup> The website of Guilford Mills is <http://guilfordproducts.com>.

## ***Yarn producers***

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## ***Fabric producers***

Commission staff identified two firms that use the subject yarn in the production of knit apparel fabrics: Fab Industries, Inc., New York, NY, and Glen Raven Mills, Inc., Glen Raven, NC. Fab Industries said it uses the yarn in the production of warp and circular knit fabrics at its mill in Lincolnton, NC, and sells the fabrics to manufacturers of intimate apparel and sleepwear. Glen Raven Mills stated that it uses the yarn \*\*\* to make knit fabrics at its mill in Glen Raven, NC. \*\*\* According to both firms, loungewear-type garments made from knitted fabrics of the subject yarn compete in the marketplace with loungewear-type goods made from woven fabrics of the subject yarn.

## ***Apparel companies***

Officials of \*\*\* stated that they are unaware of any firms that make apparel in the United States from knitted or woven fabrics of the subject yarn, but indicated that there are numerous U.S.-based firms making such apparel in the Caribbean Basin.<sup>11</sup> An official of the American Apparel & Footwear Association (AAFA), Arlington, VA, a trade association representing U.S. apparel and footwear companies, indicated general support for petitions of this nature because approval of certain petitions may result in the use of some U.S.-sourced components in offshore assembly operations. The AAFA official also noted that many AAFA member companies produce apparel in ATPDEA-designated countries and, hence, may benefit from the proposed preferential treatment.<sup>12</sup>

## ***Views of interested parties***

The Commission received a written submission from \*\*\*, which states that it is a leading U.S. producer of polyester monofilament yarn.<sup>13</sup> The firm said it produces large quantities of both the subject yarn as well as yarn that is like that described in the petition. According to the firm, the proposed preferential treatment, if granted, would have a negative impact on the firm's operations, financial performance, and employment in view of the following:

- \*\*\* employees directly involved in the manufacture of monofilament yarn would be in jeopardy and an additional \*\*\* employees involved in the manufacture of other yarns at the \*\*\* mill could be in jeopardy;
- salaries, wages, and benefits total \$\*\*\* for the \*\*\* employees and \$\*\*\* for the additional \*\*\* employees;
- at the very least, the jobs of the \*\*\* employees involved in production of monofilament yarn would definitely be at risk and, at the most, the viability of the mill, and \*\*\* as a company, could be in jeopardy should \*\*\* be forced to cease production of monofilament yarn;

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<sup>8</sup> \*\*\*, telephone interview by Commission staff, Sept. 8, 2004.

<sup>9</sup> \*\*\*, telephone interview by Commission staff, Sept. 8, 2004.

<sup>10</sup> \*\*\*, telephone interview by Commission staff, Sept. 9, 2004.

<sup>11</sup> \*\*\*, telephone interviews by Commission staff, Sept. 17 and 20, 2004.

<sup>12</sup> \*\*\*, telephone interview by Commission staff, Sept. 8, 2004.

<sup>13</sup> \*\*\*, written submission to the Commission, Sept. 17, 2004.

- \*\*\* production of monofilament yarn peaked in the 1990s at \*\*\* pounds per year and, due to declines in demand for apparel made from the yarn, production has now declined to approximately \*\*\* pounds per year and will decline even further if replaced by imports;
- for every pound of monofilament yarn that is lost to imports, \*\*\* loses \$\*\*\*, so an additional 1 million pounds in business lost to imports would amount to an additional \$\*\*\* in lost revenue; and
- employment in the communities surrounding \*\*\* have already suffered due to plant closures and layoffs resulting from import competition, thus should \*\*\* employees lose their jobs, they will likely encounter great hardships locating jobs in the area with their skill-sets at comparable wages and benefits.

#### **Probable economic effect advice<sup>14</sup>**

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Andean countries from the subject yarn, regardless of the source of the yarn, could have an adverse effect on U.S. producers of the subject yarn, U.S. producers of fabrics made from such yarn, and their workers. The subject yarn is produced domestically \*\*\*, and at least two firms make apparel fabrics in the United States from the subject domestic yarn.

The proposed preferential treatment would likely have no effect on the U.S. apparel industry because there is no known domestic production of apparel that contains the subject yarn. U.S. apparel companies reportedly purchase fabrics made in the United States from the subject domestic yarn and cut and sew them in the Caribbean Basin (CBTPA preferences apply to U.S. imports of apparel made in eligible Caribbean Basin countries from U.S. fabrics and yarns). The expected increase in imports of apparel made in eligible Andean countries from the subject yarn would likely displace imports from other countries, particularly countries in Asia and possibly those in the Caribbean Basin that use U.S.-made fabrics and yarns, which tend to cost more than similar inputs from Asia. The proposed preferential treatment would likely benefit U.S. firms making apparel in eligible Andean countries from the subject yarn by increasing the supply and availability of such yarn. The proposed preferential treatment also would likely benefit U.S. consumers of apparel made from the subject yarns to the extent that importers pass on some of the duty savings to retail consumers.

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<sup>14</sup> The Commission's advice is based on information currently available to the Commission.